

**BCLUW
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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BCLUW COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Mary Morris	President	2008
Shane Tiernan	Vice President	2009
Matt Garber		2011
Beth Neff		2011
Doug Benjamin		2009
Chris Simpson		2011
Deb Sams		2008

(After September 2008 Election)

Doug Benjamin	President	2009
Chris Simpson	Vice President	2011
Matt Garber		2011
Beth Neff		2011
Shane Tiernan		2009
Brian Feldpausch		2011
Deb Sams		2009

School Officials

Mike Ashton	Superintendent
Paula Benson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District, Conrad, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2009 on our consideration of BCLUW Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCLUW Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

December 4, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

BCLUW COMMUNITY SCHOOL DISTRICT

BCLUW Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Completed a new softball/concession stand/press box due to large donations and SILO money.
- Tuck pointed the middle school building.
- Professionally painted the high school gymnasium and the girl's locker room and several district classrooms.
- Purchased a new F250 Ford pickup and a 2009 Bluebird 65 passenger bus.
- 3rd year of Carol White PE Grant.
- Purchased a K-6, 7-8 reading series.
- Continued commitment to providing quality staff development and improving student achievement.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of BCLUW Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report BCLUW Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
BCLUW Community School District Annual Financial Report

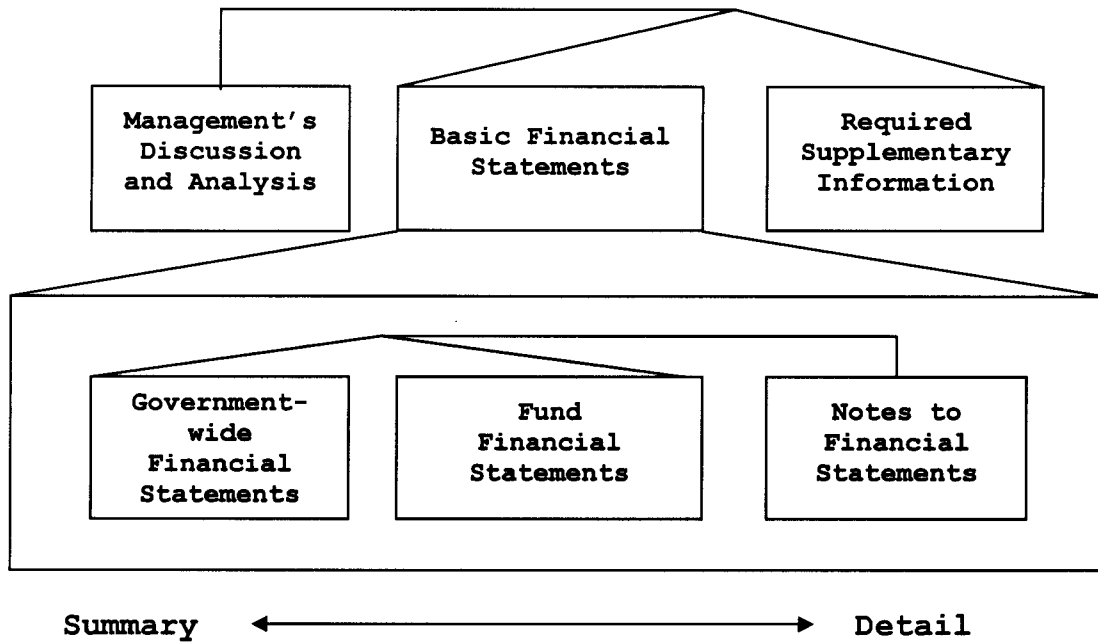


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance	An activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 5,044	4,817	33	20	5,077	4,837	4.96%
Capital assets	6,273	6,075	32	25	6,305	6,100	3.36%
Total assets	<u>11,317</u>	<u>10,892</u>	<u>65</u>	<u>45</u>	<u>11,382</u>	<u>10,937</u>	<u>4.07%</u>
Current liabilities	3,397	3,199	-	-	3,397	3,199	6.19%
Non-current liabilities	3,144	3,252	-	-	3,144	3,252	-3.32%
Total liabilities	<u>6,541</u>	<u>6,451</u>	<u>-</u>	<u>-</u>	<u>6,541</u>	<u>6,451</u>	<u>1.40%</u>
Net Assets							
Invested in capital assets, net of related debt	3,150	2,835	32	25	3,182	2,860	11.26%
Restricted	362	373	-	-	362	373	-2.95%
Unrestricted	1,264	1,233	33	20	1,297	1,253	3.51%
Total net assets	<u>\$ 4,776</u>	<u>4,441</u>	<u>65</u>	<u>45</u>	<u>4,841</u>	<u>4,486</u>	<u>7.91%</u>

The District's combined net assets were 8% greater at June 30, 2009 than June 30, 2008. The General Fund balance showed a 7% increase resulting in an increase in unrestricted funds and overall fund balance.

The District also purchased a large number of computers. The expense for these is being depreciated over five years. Thus while the Capital Projects Fund balance decreased, the investment in fixed assets increased by over 11%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 450	348	213	195	663	543	22.10%
Operating grants, contributions and interest	1,347	1,283	123	111	1,470	1,394	5.45%
General revenues:							
Property tax	2,612	2,539	-	-	2,612	2,539	2.88%
Income surtax	318	239	-	-	318	239	33.05%
Local option sales tax	443	360	-	-	443	360	23.06%
Unrestricted state grants	2,391	2,349	-	-	2,391	2,349	1.79%
Unrestricted investment earnings	33	48	-	-	33	48	-31.25%
Other	15	27	-	-	15	27	-44.44%
Total revenues	7,609	7,193	336	306	7,945	7,499	5.95%
Program expenses:							
Governmental activities:							
Instruction	4,385	4,092	-	-	4,385	4,092	7.16%
Support Services	1,884	1,932	-	-	1,884	1,932	-2.48%
Non-instructional programs	27	8	316	318	343	326	5.21%
Other expenses	978	711	-	-	978	711	37.55%
Total expenses	7,274	6,743	316	318	7,590	7,061	7.49%
Change in net assets	\$ 335	450	20	(12)	355	438	-18.95%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,608,473 and expenses were \$7,273,743 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 4,385	4,092	7.16%	2,926	2,697	8.49%
Support services	1,884	1,932	-2.48%	1,788	1,915	-6.63%
Non-instructional programs	27	8	237.50%	27	8	237.50%
Other expenses	978	711	37.55%	736	492	49.59%
Totals	\$ 7,274	6,743	7.87%	5,477	5,112	7.14%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$449,525.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$735,439.
- The net cost of governmental activities was financed with \$2,611,628 in property tax and \$2,391,306 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$336,094 and expenses were \$315,834. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District held meal prices steady. The fund balance increased due to cost control measures.

FUND ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted BCLUW Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,392,483, a three percent increase over last year's ending fund balances of \$1,357,693. Increased revenues and cost control measures contributed to the increase in fund balance.

Governmental Fund Highlights

- The General Fund increased by about \$63,000 due to revenue increases and cost control measures.
- The District used PPEL Funds, Capital Projects, sales tax revenues and donations to complete a number of building and equipment purchases during the year.

Proprietary Fund Highlights

The cash balance increased by 99% during the year. Both revenues and expenses increased during the year. The fund balance increased approximately \$20,000, primarily due to careful monitoring of expenses.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 31 through 32.

The District's receipts were \$320,406 greater than budgeted receipts, a variance of 4% greater than anticipated due to increases in miscellaneous revenues and categorical funding. Categorical funding increases revenues and expenses equally as it is specified by statute as to how it can be spent.

Total expenditures were greater than budgeted expenditures by 1%. The District amended the budget in May, 2009 allowing for increased expenses of \$303,267, however, expenses in the non-instructional programs and other expenditure functions still exceeded budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$6.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$356,471.

The original cost of the District's capital assets was \$11,017,724. Governmental funds account for \$10,946,136, with the remainder of \$71,588 accounted for in the Business Type, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2008	2008	2009	2008	2008-2009
Land	\$ 80	80	-	-	80	80	0.00%
Buildings	5,395	5,573	-	-	5,395	5,573	-3.19%
Site improvements	122	129	-	-	122	129	-5.43%
Furniture and equipment	676	293	32	25	708	318	122.64%
Totals	<u>\$ 6,273</u>	<u>6,075</u>	<u>32</u>	<u>25</u>	<u>6,305</u>	<u>6,100</u>	<u>3.36%</u>

Long-Term Debt

At June 30, 2009, the District had \$2,965,000 in general obligation bonds outstanding. This represents a decrease of approximately 8% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements. Early retirement liability is all payable in the fiscal year ending June 30, 2010. Capital lease payable, incurred for the purchase of laptop computers, are payable in fiscal 2010 and fiscal 2011.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 2,965	3,240	-8.49%
Capital lease payable	\$ 158	-	100.00%
Early retirement payable	20	11	81.82%
Totals	\$ 3,143	3,251	-3.32%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Due to low interest rates, our investments continue to go down.
- We had a decrease in enrollment from 638 to 621 resident students.
- Surplus of revenues over expenditures that increased our fund balance and unspent balance.
- Health insurance went down 5.42%
- Reduced certified staff through attrition 1.0 FTE teacher.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Ashton, Superintendent, BCLUW Community School District, 610 E Center St, PO Box 670, Conrad, IA 50621

Basic Financial Statements

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 1,926,732	26,087	1,952,819
Receivables:			
Property tax:			
Current year	30,367	-	30,367
Succeeding year	2,672,406	-	2,672,406
Income surtax - succeeding year	263,837	-	263,837
Due from other governments	95,291	-	95,291
Other receivables	55,536	-	55,536
Inventories	-	7,052	7,052
Capital assets, net of accumulated depreciation	6,273,257	32,256	6,305,513
Total assets	<u>11,317,426</u>	<u>65,395</u>	<u>11,382,821</u>
Liabilities			
Accounts payable	121,778	-	121,778
Salaries and benefits payable	593,665	-	593,665
Accrued interest payable	9,764	-	9,764
Deferred revenue:			
Succeeding year property tax	2,672,406	-	2,672,406
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	280,000	-	280,000
Lease payable	77,456	-	77,456
Early retirement payable	20,440	-	20,440
Portion due after one year:			
General obligation bonds payable	2,685,000	-	2,685,000
Lease payable	80,925	-	80,925
Total liabilities	<u>6,541,434</u>	<u>-</u>	<u>6,541,434</u>
Net assets			
Invested in capital assets, net of related debt	3,149,876	32,256	3,182,132
Restricted for:			
Management levy	22,242	-	22,242
Student activities	151,733	-	151,733
Physical plant and equipment levy	139,117	-	139,117
Public education and recreation levy	1,914	-	1,914
Debt service	39,639	-	39,639
Categorical	7,356	-	7,356
Unrestricted	1,264,115	33,139	1,297,254
Total net assets	<u>\$ 4,775,992</u>	<u>65,395</u>	<u>4,841,387</u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 4,384,674	376,707	1,082,227	(2,925,740)	-	(2,925,740)
Support services:						
Student services	97,344	-	-	(97,344)	-	(97,344)
Instructional staff services	230,109	-	-	(230,109)	-	(230,109)
Administration services	747,875	72,818	-	(675,057)	-	(675,057)
Operation and maintenance of plant services	548,564	-	23,217	(525,347)	-	(525,347)
Transportation services	260,377	-	-	(260,377)	-	(260,377)
	1,884,269	72,818	23,217	(1,788,234)	-	(1,788,234)
Non-instructional programs:						
Food service operations	26,745	-	-	(26,745)	-	(26,745)
Other expenditures:						
AEA flowthrough	223,513	-	223,513	-	-	-
Long-term debt interest	126,616	-	1,186	(125,430)	-	(125,430)
Long-term debt services	350	-	-	(350)	-	(350)
Facilities acquisition and construction	275,587	-	17,154	(258,433)	-	(258,433)
Depreciation (unallocated)*	351,989	-	-	(351,989)	-	(351,989)
	978,055	-	241,853	(736,202)	-	(736,202)
Total governmental activities	7,273,743	449,525	1,347,297	(5,476,921)	-	(5,476,921)

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Food service operations	315,834	213,028	123,066	-	20,260	20,260
Total	<u>\$ 7,589,577</u>	<u>662,553</u>	<u>1,470,363</u>	<u>(5,476,921)</u>	<u>20,260</u>	<u>(5,456,661)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 1,967,578	-	1,967,578
Management fund				150,214	-	150,214
Debt service				404,289	-	404,289
Capital outlay				64,026	-	64,026
Public education and recreation				25,521	-	25,521
Income surtax				317,524	-	317,524
Statewide sales and services tax				443,267	-	443,267
Unrestricted state grants				2,391,306	-	2,391,306
Unrestricted investment earnings				32,672	-	32,672
Other				15,254	-	15,254
Total general revenues				<u>5,811,651</u>	<u>-</u>	<u>5,811,651</u>
Change in net assets				334,730	20,260	354,990
Net assets beginning of year				<u>4,441,262</u>	<u>45,135</u>	<u>4,486,397</u>
Net assets end of year				<u>\$ 4,775,992</u>	<u>65,395</u>	<u>4,841,387</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

Assets

	General	Management Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Cash and pooled investments	\$ 1,551,489	137,368	44,733	2,870	190,272	1,926,732
Receivables:						
Property tax:						
Current year	22,911	1,749	4,670	-	1,037	30,367
Succeeding year	2,056,968	125,000	397,513	-	92,925	2,672,406
Income surtax - succeeding year	263,837	-	-	-	-	263,837
Due from other governments	26,407	-	-	68,884	-	95,291
Other receivables	50,516	-	-	-	5,020	55,536
Total assets	<u>\$ 3,972,128</u>	<u>264,117</u>	<u>446,916</u>	<u>71,754</u>	<u>289,254</u>	<u>5,044,169</u>

Liabilities and Fund Balances

Liabilities:						
Accounts payable	\$ 20,380	-	-	101,398	-	121,778
Salaries and benefits payable	593,665	-	-	-	-	593,665
Deferred revenue:						
Succeeding year property tax	2,056,968	125,000	397,513	-	92,925	2,672,406
Succeeding year income surtax	263,837	-	-	-	-	263,837
Total liabilities	<u>2,934,850</u>	<u>125,000</u>	<u>397,513</u>	<u>101,398</u>	<u>92,925</u>	<u>3,651,686</u>
Fund balances:						
Reserved for debt service	-	-	49,403	-	-	49,403
Reserved for capital projects	-	-	-	(29,644)	-	(29,644)
Reserved for categorical programs	7,356	-	-	-	-	7,356
Unreserved	1,029,922	139,117	-	-	196,329	1,365,368
Total fund balances	<u>1,037,278</u>	<u>139,117</u>	<u>49,403</u>	<u>(29,644)</u>	<u>196,329</u>	<u>1,392,483</u>
Total liabilities and fund balances	<u>\$ 3,972,128</u>	<u>264,117</u>	<u>446,916</u>	<u>71,754</u>	<u>289,254</u>	<u>5,044,169</u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 1,392,483
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2009 is not available to finance expenditures of the current fiscal period.	263,837
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,273,257
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,764)
Long-term liabilities, including general obligation bonds, capital leases and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,143,821)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 4,775,992</u>

See notes to financial statements.

BCLJW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General	Management Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:						
Local sources:						
Local tax	\$ 2,291,851	150,213	404,288	443,267	89,546	3,379,165
Tuition	354,162	-	-	-	-	354,162
Other	143,284	13,289	1,186	17,162	356,715	531,636
State sources	3,050,918	-	-	-	9,646	3,060,564
Federal sources	289,694	-	-	-	-	289,694
Total revenues	6,129,909	163,502	405,474	460,429	455,907	7,615,221
Expenditures:						
Current:						
Instruction	3,955,380	33,971	-	-	386,506	4,375,857
Support services:						
Student services	97,344	-	-	-	-	97,344
Instructional staff services	230,109	-	-	-	-	230,109
Administration services	729,162	18,523	-	190	-	747,875
Operation and maintenance of plant services	497,665	42,451	-	-	8,448	548,564
Transportation services	313,408	20,163	-	-	-	333,571
	1,867,688	81,137	-	190	8,448	1,957,463
Non-instructional programs:						
Food service operations	-	7,060	-	-	-	7,060
Community service operations	19,685	-	-	-	-	19,685
	19,685	7,060	-	-	-	26,745

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General	Management Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Expenditures (continued):						
Other expenditures:						
AEA flowthrough	223,513	-	-	-	-	223,513
Long-term debt:						
Principal	-	-	275,000	-	-	275,000
Interest	-	-	127,475	-	-	127,475
Services	-	-	350	-	-	350
Facilities acquisition and construction	-	-	-	693,262	59,147	752,409
	<u>223,513</u>	<u>-</u>	<u>402,825</u>	<u>693,262</u>	<u>59,147</u>	<u>1,378,747</u>
Total expenditures	<u>6,066,266</u>	<u>122,168</u>	<u>402,825</u>	<u>693,452</u>	<u>454,101</u>	<u>7,738,812</u>
Excess (deficiency) of revenues over (under) expenditures	63,643	41,334	2,649	(233,023)	1,806	(123,591)
Other financing sources:						
Lease proceeds	-	-	-	158,381	-	158,381
Net change in fund balance	63,643	41,334	2,649	(74,642)	1,806	34,790
Fund balances beginning of year	<u>973,635</u>	<u>97,783</u>	<u>46,754</u>	<u>44,998</u>	<u>194,523</u>	<u>1,357,693</u>
Fund balances end of year	<u>\$ 1,037,278</u>	<u>\$ 139,117</u>	<u>\$ 49,403</u>	<u>\$ (29,644)</u>	<u>\$ 196,329</u>	<u>\$ 1,392,483</u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 34,790

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This figure represents the change from the prior fiscal year. (6,748)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlay	\$ 550,016	
Depreciation expense	<u>(351,989)</u>	198,027

Proceeds from issuing long-term liabilities provide current financial to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Repayments exceeded issuances as follows:

Issuances	(158,381)	
Repayments	<u>275,000</u>	116,619

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Early retirement	(8,817)
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Change in net assets of governmental activities (Exhibit B)	<u>\$ 334,730</u>
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See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 213,028
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	98,077
Benefits	14,184
Services	3,758
Supplies	195,333
Depreciation	4,482
Total operating expenses	<u>315,834</u>
Operating (loss)	<u>(102,806)</u>
Non-operating revenues:	
State sources	3,566
Federal sources	119,431
Interest income	69
	<u>123,066</u>
Net income	20,260
Net assets beginning of year	<u>45,135</u>
Net assets end of year	<u>\$ 65,395</u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 213,028
Cash payments to employees for services	(112,261)
Cash payments to suppliers for goods or services	(179,738)
Net cash (used by) operating activities	<u>(78,971)</u>
Cash flows from non-capital financing activities:	
State grants received	3,566
Federal grants received	99,694
Net cash provided by non-capital financing activities	<u>103,260</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(11,367)
Cash flows from investing activities:	
Interest on investments	<u>69</u>
Net decrease in cash and cash equivalents	12,991
Cash and cash equivalents beginning of year	<u>13,096</u>
Cash and cash equivalents end of year	<u>\$ 26,087</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (102,806)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	4,482
Commodities used	19,737
(Increase) in inventory	(384)
Net cash (used by) operating activities	<u>\$ (78,971)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$19,737.

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities.

The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union and Whitten, Iowa, and agricultural territory in Hardin, Grundy and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, BCLUW Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. BCLUW Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy and Hardin County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's major proprietary funds is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget by April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax and income surtax receivables that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amended amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Investments

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,000	-	-	80,000
Capital assets being depreciated:				
Buildings	9,120,077	-	-	9,120,077
Site Improvements	136,068	-	-	136,068
Furniture and Equipment	1,151,678	550,016	91,703	1,609,991
Total capital assets being depreciated	10,407,823	550,016	91,703	10,866,136
Less accumulated depreciation for:				
Buildings	3,547,005	178,132	-	3,725,137
Site Improvements	6,803	6,803	-	13,606
Furniture and Equipment	858,785	167,054	91,703	934,136
Total accumulated depreciation	4,412,593	351,989	91,703	4,672,879
Total capital assets being depreciated, net	5,995,230	198,027	-	6,193,257
Governmental activities, capital assets, net	\$ 6,075,230	198,027	-	6,273,257
Business type activities:				
Furniture and equipment	\$ 60,221	11,367	-	71,588
Less accumulated depreciation	34,850	4,482	-	39,332
Business type activities capital assets, net	\$ 25,371	6,885	-	32,256
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 351,989
Business Type activities:				
Food service operations				\$ 4,482

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.10% of their annual covered payroll and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$230,924, \$216,518, and \$186,548 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$223,513 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

BCLUW Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	<u>Capital Lease Payable</u>	<u>General Obligation Bonds</u>	<u>Early Retirement</u>	<u>Total</u>
Balance beginning of year	\$ -	3,240,000	11,623	3,251,623
Additions	158,381	-	20,440	178,821
Reductions	-	275,000	11,623	286,623
Balance end of year	<u>\$158,381</u>	<u>2,965,000</u>	<u>20,440</u>	<u>3,143,821</u>

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.75%	\$ 280,000	117,162	397,162
2011	3.75	295,000	106,663	401,663
2012	4.00	300,000	95,600	395,600
2013	4.00	315,000	83,600	398,600
2014	4.00	325,000	71,000	396,000
2015	4.00	340,000	58,000	398,000
2016	4.00	355,000	44,400	399,400
2017	4.00	370,000	30,200	400,200
2018	4.00	385,000	15,400	400,400
Total		<u>\$2,965,000</u>	<u>622,025</u>	<u>3,587,025</u>

Capital Lease Payable

The District entered into a lease purchase with GE Capital for the acquisition of 250 laptop computers. A down payment of \$87,454.90 was made in June 30, 2009. Two additional payments of \$87,454.90 are due in June, 2010 and 2011.

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	6.14%	\$ 77,456	9,999	87,455
2011	6.14	80,925	6,530	87,455
Total		<u>\$158,381</u>	<u>16,529</u>	<u>174,910</u>

Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed eight years of service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is 33% of current year salary, less supplemental pay or extended contract pay. Early retirement benefits paid during the year ended June 30, 2009, totaled \$11,623. A long-term liability has been recorded on the Statement of Net Assets (Exhibit A) representing the District's commitment to fund early retirement.

(8) Related Party Transactions

The District had \$4,545 of business transactions between the District and District officials during the year ended June 30, 2009. These are described in the Schedule of Findings on page 39.

(9) Financial Condition

The District's Capital Project Fund had a deficit fund balance of \$29,644 at June 30, 2009.

Required Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 4,264,963	213,097	4,478,060	4,340,565	4,340,565	137,495
State sources	3,060,564	3,566	3,064,130	3,049,344	3,049,344	14,786
Federal sources	289,694	119,431	409,125	241,000	241,000	168,125
Total revenues	<u>7,615,221</u>	<u>336,094</u>	<u>7,951,315</u>	<u>7,630,909</u>	<u>7,630,909</u>	<u>320,406</u>
Expenditures/Expenses:						
Instruction	4,375,857	-	4,375,857	4,571,500	4,571,000	195,143
Support services	1,957,463	-	1,957,463	2,016,484	2,016,484	59,021
Non-instructional programs	26,745	315,834	342,579	311,200	340,000	(2,579)
Other expenditures	1,378,747	-	1,378,747	850,533	1,125,000	(253,747)
Total expenditures/expenses	<u>7,738,812</u>	<u>315,834</u>	<u>8,054,646</u>	<u>7,749,717</u>	<u>8,052,484</u>	<u>(2,162)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(123,591)	20,260	(103,331)	(118,808)	(421,575)	318,244
Other financing sources (uses)	<u>158,381</u>	<u>-</u>	<u>158,381</u>	<u>-</u>	<u>-</u>	<u>158,381</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	34,790	20,260	55,050	(118,808)	(421,575)	476,625
Balance beginning of year	<u>1,357,693</u>	<u>45,135</u>	<u>1,402,828</u>	<u>1,430,547</u>	<u>1,372,668</u>	<u>30,160</u>
Balance end of year	<u>\$ 1,392,483</u>	<u>65,395</u>	<u>1,457,878</u>	<u>1,311,739</u>	<u>951,093</u>	<u>506,785</u>

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$303,267.

During the year ended June 30, 2009, expenditures in the non-instructional programs and other expenditures functions exceeded the amended amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue			
	Physical Plant and Equipment Levy	Student Activity	Public Education and Recreation Levy	Total
Assets				
Cash and pooled investments	\$ 36,942	151,733	1,597	190,272
Property tax receivable:				
Current year	740	-	297	1,037
Succeeding year	66,485	-	26,440	92,925
Other receivables	5,000	-	20	5,020
Total assets	<u>\$ 109,167</u>	<u>151,733</u>	<u>28,354</u>	<u>289,254</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 66,485	-	26,440	92,925
	<u>66,485</u>	<u>-</u>	<u>26,440</u>	<u>92,925</u>
Unreserved fund balances	42,682	151,733	1,914	196,329
	<u>42,682</u>	<u>151,733</u>	<u>1,914</u>	<u>196,329</u>
Total liabilities and fund balances	<u>\$ 109,167</u>	<u>151,733</u>	<u>28,354</u>	<u>289,254</u>

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICTCombining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue			Total
	Physical Plant and Equipment Levy	Student Activity	Public Education and Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 64,026	-	25,520	89,546
Other	278	356,433	4	356,715
State sources:	9,646	-	-	9,646
Total revenues	<u>73,950</u>	<u>356,433</u>	<u>25,524</u>	<u>455,907</u>
Expenditures:				
Instruction	-	367,893	18,613	386,506
Support services:				
Plant operation and maintenance	-	-	8,448	8,448
Other expenditures:				
Facility acquisition and construction services	59,147	-	-	59,147
Total expenditures	<u>59,147</u>	<u>367,893</u>	<u>27,061</u>	<u>454,101</u>
Excess (deficiency) of revenues over (under) expenditures	14,803	(11,460)	(1,537)	1,806
Fund balances beginning of year	<u>27,879</u>	<u>163,193</u>	<u>3,451</u>	<u>194,523</u>
Fund balances end of year	<u>\$ 42,682</u>	<u>151,733</u>	<u>1,914</u>	<u>196,329</u>

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Thespians	\$ 8,177	2,335	2,537	7,975
Speech	-	645	170	475
Vocal Music	327	22,796	21,486	1,637
Band	837	3,511	3,469	879
Middle School Instrumental	1,146	576	1,632	90
Class of 2009	4,403	1,799	6,202	-
HS Mathletes	620	4,087	3,787	920
Athletic	17,898	150,963	138,590	30,271
Class of 2011	55	13,481	8,730	4,806
Talented and Gifted MS	1,605	1,558	2,436	727
Cheerleaders	4,993	10,365	13,979	1,379
MS Theme Day	-	1,519	1,516	3
Middle School Vocal Music	775	120	137	758
Class of 2010	5,539	22,582	24,120	4,001
Elementary Activities	21,316	6,192	6,550	20,958
Parent/Educator Partnership	9,017	31,008	32,187	7,838
Chess Club	283	-	283	-
FCCLA	2,184	1,065	598	2,651
Foreign Students	641	-	641	-
Technology Club	189	15	-	204
Comet Café	1,689	2,283	2,302	1,670
Library Club	1,146	7,692	7,894	944
Electrathon	4	-	4	-
Interest	16,511	2,967	7,131	12,347
Letterwinners	2,673	1,681	1,196	3,158
Little League	580	1,928	1,986	522
Yearbook 2009	-	15,053	11,584	3,469
National Art Honor Society	300	-	-	300
MS Athletic	18,996	8,487	12,934	14,549
Class of 2012	-	240	201	39
MS Conflict Managers	121	-	-	121
National Honor Society	2,015	713	1,253	1,475
Padlock	550	427	306	671
Student Council	1,999	2,438	3,108	1,329
Summer Concessions	12,233	27,104	27,242	12,095
High School Activities	6,723	2,564	5,137	4,150
2008 Yearbook	9,107	1,724	10,831	-
STOPP	51	-	-	51
MS Activities	8,490	6,515	5,734	9,271
Total	\$ 163,193	356,433	367,893	151,733

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 4, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered BCLUW Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects BCLUW Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of BCLUW Community School District's financial statements that is more than inconsequential will not be prevented or detected by BCLUW Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by BCLUW Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 and I-B-09 to be material weaknesses.

Compliance and Other Matters

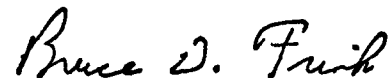
As part of obtaining reasonable assurance about whether BCLUW Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters to be described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

BCLUW Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit BCLUW Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of BCLUW Community School District and other parties to whom BCLUW Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of BCLUW Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

November 19, 2009

BCLW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES

I-A-09 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-09 AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the amended certified budget amounts in the non-instructional programs and other expenditures functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2009.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Benjamin Trophy Company Spouse of Board Member	Fund raising expense	\$4,545

These transactions exceeded the \$2,500 limit allowed by Iowa law.

Recommendation - We recommend that the District consult legal counsel regarding these matters. We also recommend that the District annually review these transactions to ensure continued compliance.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval, which had not been approved by the Board.

II-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- II-H-09 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- II-I-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	443,267
Expenditures/transfers out:	
School infrastructure:	
Other improvements	<u>443,267</u>
Ending balance	\$ <u>-</u>

- II-L-09 Deficit Balances - The Capital Projects Fund had a deficit balance at June 30, 2009 of \$29,644.

Recommendation -The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the Capital Projects Fund at the end of the fiscal year.

Conclusion - Response accepted.